



# Baltimore District Office Bulletin: News You Can Use!

## Your Small Business Resource

### Winter 2005-2006 Edition

SBA Baltimore District Office  
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(410) 962-6195  
[www.sba.gov/md](http://www.sba.gov/md)

### SCORE, Counselors to America's Small Business

Baltimore (410) 962-2233  
Chestertown (410) 348-5392  
Cumberland (301) 722-2773  
Easton (410) 822-4606  
Frederick (301) 662-8723  
Hagerstown (301) 739-2015  
Kent Co. (410) 810-2968  
Salisbury (410) 749-0144  
Southern MD (410) 266-9553  
[www.score.org](http://www.score.org)

### MD Small Business Development Centers (SBDC)

Lead Center (301) 403-8300  
Central MD (410) 704-5001  
Eastern MD (800) 999-7232  
Northern Region (866) 836-6288  
Southern MD (301) 934-7583  
Western MD (800) 457-7232  
[www.mdsbdc.umd.edu](http://www.mdsbdc.umd.edu)

### Small Business Resource Centers

Baltimore (443) 451-7160  
[www.sbrcbaltimore.com](http://www.sbrcbaltimore.com)  
Cumberland (301) 722-2773

### U.S. Export Assistance Center

(410) 962-4539

### Women Entrepreneurs of Baltimore, Inc. (WEB)

(410) 727-4921 [www.webinc.org](http://www.webinc.org)

### For More Information:

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S.
- Virgin Islands and Guam. For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- 1-800-U-ASK-SBA
- Fax: 202-205-7064
- E-mail: [answerdesk@sba.gov](mailto:answerdesk@sba.gov)
- TDD: 704-344-6640
- Your rights to regulatory fairness: 1-888-REG-FAIR
- SBA Home Page: [www.sba.gov](http://www.sba.gov)  
*All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.*

## SBA Hurricane Loans Surpass \$3 Billion Mark and Rising

The U.S. Small Business Administration continues to approve recovery and rebuilding loans for residents and businesses in the Gulf Coast region at a record pace.

Following Hurricanes Katrina, Rita and Wilma, the SBA has now approved more than \$3 billion in low-interest, taxpayer-backed disaster loans – \$1 billion approved in the first 18 days of January alone. Loan approvals for the month have averaged more than \$54.5 million per day.

"Our response to this massive disaster continues to accelerate at a record pace," said SBA Administrator Hector V. Barreto. "Roughly 90 days after Katrina struck we reached \$1 billion in loan approvals. Twenty-eight days later we reached \$2 billion and less than three weeks after that we reached \$3 billion."

Homeowners, renters and businesses in the declared disaster areas are eligible for SBA disaster loans. To date, almost 36,000 loans for more than \$2.4 billion have been made to homeowners. Almost \$600 million in disaster loans have been made to businesses. Louisiana has received over \$1.65 billion in disaster loans and Mississippi has received almost \$1.17 billion.

"I am proud of our dedicated staff, who is working with urgency and compassion to help people rebuild their lives after these devastating storms," Barreto said. "We will not stop working to provide needed assistance."

Today, there are more than 4,000 SBA employees working on disaster assistance, more than four times the number before Hurricane Katrina struck. The agency has already processed over 167,000 applications and has inspected over 176,000 properties. Already, almost 95 percent of the economic injury disaster loans for small businesses have been processed.

Only one other disaster in the nation's history has exceeded the \$3 billion mark for SBA loans – the 1994 Northridge Earthquake, at \$4 billion in approved loans over a 12-month period. The Florida hurricanes of 2004 topped out at \$1.86 billion after more than nine months.

For more information about the SBA's Disaster Assistance loan programs, visit the SBA Web site at [http://www.sba.gov/disaster\\_recov/hurricanes/](http://www.sba.gov/disaster_recov/hurricanes/).

## Online Training Calendar . . .

Visit us online for a listing of upcoming workshops and seminars in your area. New classes are added regularly, so check back often.

To view the calendar, visit [www.sba.gov/md](http://www.sba.gov/md) and select "Training Calendar" from the left menu bar.

**Bonus:** Online registration is available for most courses offered through the U.S. Small Business Administration's Baltimore District Office.



## ***SBA Surety Bond Guarantee Program Can Open New Opportunities for Small Businesses***

Small business contractors and service companies that want to become more competitive and bid on projects requiring surety bonds, can look to the U.S. Small Business Administration for the help they need to step up to that next level of business success.

Because of the protection surety bonds provide, the Miller Act of 1935 requires surety bonds on federally-funded construction projects in excess of \$100,000. Today, virtually all states have their own statutes and now almost every public construction project across the country requires surety bonds.

The SBA's Surety Bond Guarantee Program can help small business contractors and manufacturers overcome challenges they face in winning government contracts and private-sector contracts, and in the process help them get that next bond and contract, and the next.

The idea behind surety bonding is simple and direct. One person, or entity, guarantees to another that a third person will perform a contract according to its terms. Historical records show a personal surety assuring Pharaoh that a farmer will place an agreed upon amount of grain, of a specific quality, and by a certain date, into Pharaoh's coffers.

Half of all construction firms in business today, however, will not be in business six years from now, according to the Associated General Contractors, a construction industry trade association. An economic downturn, labor difficulties, material shortages, the death of a key employee, equipment problems, bad weather, even fraud, can bring a project to a standstill, often causing the contractor to default and bills to go unpaid.

When a government entity awards a construction project to the lowest bidder, it knows that the surety bond company stands behind the contractor's promise to complete the job according to the owner's specifications and terms of the contract. Often, however, new and small businesses may not be able to obtain bonds through regular commercial channels.

With the SBA's Surety Bond Guarantee Program the SBA guarantees surety companies against a percentage of the losses sustained as a result of a contractor's default on a guaranteed bid, payment or performance bond, making them more willing to issue bonds for smaller, newer companies. The SBA can guarantee bid, payment and performance bonds for construction, service, and supply contracts up to \$2 million for eligible small contractors.

The overall SBA program consists of the Prior Approval Program and the Preferred Surety Bond Program. Under the Prior Approval Program, the SBA provides sureties an 80 or 90 percent guarantee to issue bonds on behalf of small businesses, and the surety must obtain SBA's prior approval for each bond. SBA guarantees 90 percent for bonds on contracts up to \$100,000, and on bonds for socially and economically disadvantaged contractors. Certified HUBZone contractors are eligible for the 90 percent guarantee under the Prior Approval Program. More information on the HUBZone Empowerment Contracting Program is available at [www.sba.gov/hubzone](http://www.sba.gov/hubzone).

Under the Preferred Surety Bond Program, selected sureties receive a 70 percent bond guarantee and are authorized to issue, service and monitor bonds without the SBA's prior approval.

The SBA charges fees to both the contractor and the surety company. Rates are published periodically in the Federal Register. The SBA does not charge the contractor a fee for a bid-bond guarantee.

Using the SBA's Surety Bond Guarantee Program can open up more business opportunities for small businesses. It could pave the way to obtaining a federal, state, county, municipal or private-sector contract, and another, and another, and another.

For more complete information on the Surety Bond Guarantee program, go online to [www.sba.gov/osg](http://www.sba.gov/osg) for a list of area office contacts and SBA offices near your business or call 1-800-U ASK SBA.

## *Financing the 504 Way*

The biggest challenge you will face as a business owner next to starting your own business is taking it to the next level. By now you are probably a seasoned entrepreneur, who has successfully navigated around the pitfalls that cause early business failure; you're ready to grow, and financing again is an issue. Enter the SBA 504 loan program, especially designed to help small businesses at this juncture. Also called the Certified Development Company/504 Program, this is a long-term financing tool for economic development within a community. It provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land, buildings and machinery and equipment.

CDCs are nonprofit corporations set up to contribute to the economic development of their communities. They work with the SBA and private-sector lenders to provide financing to small businesses. There are about 270 CDCs nationwide. Each CDC covers a specific geographic area.

Most companies that qualify as small businesses can qualify for a CDC/504 loan. Companies must meet specific SBA size standards: it must not have a tangible net worth of more than \$7 million, and not have an average net income of more than \$2.5 million after taxes for the two preceding years.

The 504 project has three components: a direct commercial loan from the private sector covering 50 percent of the project, and secured by a senior lien; a loan secured with a junior lien from the CDC covering up to 40 percent of the cost, and backed by a 100 percent SBA-guaranteed debenture; and a contribution of at least 10 percent equity from your business.

This type of SBA loan has some specific requirements that businesses have to meet in order to qualify: they have to meet job creation criteria or a community development goal, and public policy goals.

The maximum SBA portion is \$1,500,000 for meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every \$50,000 provided by the SBA.

The maximum SBA debenture is \$2 million for meeting a public policy goal. The public policy goals are as follows:

- Business district revitalization
- Expansion of exports
- Expansion of minority business development
- Rural development
- Enhanced economic competition
- Restructuring because of federally mandated standards or policies
- Changes necessitated by federal budget cutbacks
- Expansion of small business concerns owned and controlled by veterans
- Expansion of small business concerns

New provisions signed into law in December 2004 created a new category of 504 loans to "small manufacturers", with a maximum SBA guarantee of \$4 million. The criteria to qualify for these loans include: creation or retention of at least 1 job per \$100,000 guaranteed by the SBA, and that all production facilities be located in the United States.

Growing your business may, and usually does, involve spending in several different areas. Funds under the 504 program, however, can only be used for fixed asset projects such as: purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping; construction of new facilities, or modernizing, renovating or converting existing facilities; or purchasing long-term machinery and equipment. The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.

As with the SBA's more widely known loan guaranty program, 504 loans are designed to help the small business owner be successful. Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately 3 percent of the debenture and may be financed with the loan.

For more information about SBA programs and services, visit [www.sba.gov](http://www.sba.gov).